

## THE COMMUNITY PRESERVATION CORPORATION

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April 8, 2013

Lisa M. Jones  
Manager  
CDFI Bond Guarantee Program  
Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

Dear Ms. Jones,

The Community Preservation Corporation (CPC), a certified Community Development Financial Institution since the creation of the program in the 1990s, is pleased to submit the following comments on the Interim Rule for the CDFI Bond Guarantee Program.

### Comment 1:

Eligible CDFIs should be able to use Bond Loan proceeds to create revolving facilities for Secondary Loans that are interest-only construction loans, since some Eligible CDFI's already have access to permanent loan secondary markets but do not have ready access to long-term revolving debt facilities for construction loans. Using such a facility, the Eligible CDFI would make interest-only Secondary Loans to Secondary Borrowers for the new construction or rehabilitation of affordable housing properties, with the principal amounts of such Secondary Loans being advanced as work progresses and then being repaid upon conversion of the loan to permanent terms and its sale in the secondary mortgage market. CPC believes the Interim Rule should be clarified on this point as follows:

- Even though Secondary Loans are referred to in the Interim Rule as draw-down loans, Section 1808.305(d) states that Bond Loans shall amortize in the same manner as the corresponding Bond, which appears to indicate level amortization. But if the Secondary Loans are construction loans, the Eligible CDFI (and, hence, the Qualified Issuer) will not have a source of amortization payment until the interest-only Secondary Loans begin to mature and be converted. To allow for Secondary Loans to be used for construction, Section 1808.302(g) of the Interim Rule should be amended to allow the Bonds to amortize "as determined by the Qualified Issuer and Bond Purchaser."

- Section 1808.308(d) states that each Relending Subaccount may only contain a maximum of 10% of the unpaid balance of the Bond Loan, which would hinder further re-lending

other than at roughly the same amount per loan as the first group of loans. To allow for a long-term revolving debt facility for construction loans, Section 1808.308 of the Interim Rule should be amended to allow 100% of Secondary Loan prepayments to be deposited into the Relending Fund and used regardless of any limit on Relending Subaccounts.

- To allow for long term takeout financing of construction loans, the CDFI Fund should also consider allowing a 34-year Bond maturity, similar to Treasury's New Issue Bond Program. A 34-year bond maturity limitation will allow the Secondary Loans to have a 4-year construction period and a 30-year permanent loan term. Alternatively, Secondary Loans should be allowed to amortize with a balloon payment at maturity.

- Finally, to protect Eligible CDFIs from rate exposure, the CDFI Fund should consider allowing the Qualified Issuer to elect to lock in a Bond Rate at the Bond Issue Date.

Comment 2:

Section 1808.307(b) requires an Eligible CDFI to commit to the expenditure of 100% of Bond Loan proceeds within 24 months after the corresponding Bond Issue. This would require a precise foreknowledge of the Eligible CDFI's lending volume, which is simply not practical since the demand for the Eligible CDFI's Secondary Loans will rise and fall according to many factors. Either a lower percentage or a longer commitment period, or both, should be available to allow Eligible CDFIs to flexibly adapt to market conditions while still protecting the Bondholder's interests.

Comment 3:

Section 1808.309 lists ineligible uses of Bond Loan proceeds. Please clarify that these restrictions do not apply to use of the income earned by an Eligible CDFI in the form of fees and interest spreads on Secondary Loans made with Bond Loan proceeds.

Comment 4:

Sections 1808.102(xx), 609, 614 & 615, among others, reference terms, representations, covenants and other loan document provisions that will be required of an Eligible CDFI in making its Secondary Loans. Will these be established and pre-approved in advance for an Eligible CDFI so that it knows what products it may offer to its Secondary Borrowers, and so that it may create closing document forms and procedures? In addition, will either the CDFI Fund, the Guarantor, the Qualified Issuer or any other party have loan-specific review and approval rights over an Eligible CDFI's Secondary Loans?

Thank you for your consideration of these comments. Please contact me with any questions you may have.

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